Wall Financial Corporation

2006 ANNUAL REPORT

Wall Financial Corporation was incorporated under the laws of British Columbia in 1969. The Company is focused on the development, acquisition and management of residential income producing properties, the development and sale of single and multi-family housing and the development and management of hotel properties. Over 98% of the Company's activities are concentrated in Greater Vancouver. The total Company portfolio as at April 4, 2006 contains 1,224 rental residential units and 865 hotel rooms.

5 Year Comparison

Years ended January 31

	2006	2005	2004	2003	2002
Income Statement					
Revenue and other income	$187,355,401	$90,465,939	$141,188,044	$77,326,484	$95,179,836
Cost of sales and expenses	149,123,951	62,076,017	127,085,588	71,424,763	89,870,832
Earnings before income taxes	38,231,450	28,389,922	14,102,456	5,901,721	5,309,004
Net earnings	22,254,304	21,995,312	6,511,999	2,958,489	3,012,730
Earnings per share	$0.69	$0.68	$0.20	$0.09	$0.09
Earnings before depreciation, interest & income taxes	47,976,806	42,313,073	27,494,233	20,348,606	17,988,927
Per share	$1.50	$1.32	$0.85	$0.62	$0.55
Balance Sheet					
Total assets	$404,487,822	$306,385,959	$267,530,350	$334,357,902	$273,284,051
Rental apartments	53,702,640	32,051,224	34,949,808	44,082,440	49,752,870
Hotel	128,651,599	131,263,486	134,512,728	136,681,620	139,481,104
Properties held for and under development	210,238.648	135,963,935	85,232,151	136,820,354	70,508,725
Fixed rate debt	103,613,031	98,825,981	120,779,754	130,943,143	140,665,102
Floating rate debt	170,451,254	113,253,354	68,557,272	131,100,411	63,297,597
Shareholder's Equity					
Book value	$80,819,170	$58,667,656	$46,609,257	$45,764,249	$43,004,332
Book value market price (per share)	$2.52	$1.83	$1.44	$1.40	$1.32
Common share market price					
High	$6.70	$5.00	$5.60	$3.90	$4.00
Low	$4.35	$3.55	$3.06	$2.85	$2.58
Dividends paid	0	$8,844,928	$4,874,575	0	$5,756,694
Dividends paid per share	0	$0.275	$0.15	0	$0.175
Operations					
Number of rental units	**1,094**	**1,232**	**1,415**	**1,478**	**1,528**
Number of hotel rooms	**865**	**865**	**865**	**865**	**865**

President's Report

Attached hereto are the financial statements for the Company for the year ended January 31, 2006, together with the Management Discussion and Analysis of the Company's activities. The Company's operations resulted in a net profit of $22,254,304, or $0.69 per share, as compared to $21,995,312, or $0.68 per share for the year ended January 31, 2005.

Significant events for the year and highlights for the fourth quarter of operations are noted below.

- Revenue from hotel operations increased by over 11% and GOP increased by over 10%.
- Sold the Pacific Park rental property in Surrey for a pre-tax gain of $12,423,079.
- Acquired a 30,000 sq. ft. development property on First Avenue in the Southeast False Creek area of Vancouver, across the street from the 2010 Olympic Athlete's Village.
- Completed on the sale of 455 of the 456 condominium units at the Electric Avenue project, resulting in earnings of $16,874,311.
- Acquired a 152-unit rental apartment tower at Howe and Davie Streets. This property is strata-titled and will be upgraded over the next 12 months.
- Restructured the Board so that it now consists of a majority of independent directors with an independent Chair.
- Acquired a 70% interest in a development site on Seymour Street in downtown Vancouver, which has preliminary approvals in place for approximately 330,000 sq. ft. of residential area.

Rental apartment revenue and profit declined due to the sale of Pacific Park; on a stabilized basis, revenue increased slightly while operating costs increased by approximately 6% due to extraordinary maintenance items. We anticipate that vacancy rates will decline over the next 12 months, giving us the opportunity to raise rents.

Hotel operations continue to improve although we are concerned that the strength of the Canadian dollar and anticipated enhanced border controls may negatively impact U.S. travel. Most of our growth over the past two years has been in the group, association and convention business, and we expect this trend to continue.

The residential condominium market remains strong; over the next 12 months our objectives are to:

- Complete the sales at The Hudson and Yaletown Park projects.
- Continue with sales and construction at the Nature's Gate project in Abbotsford.
- Receive development approvals for our Richmond and Seymour Street projects and to launch pre-sales.
- To rezone the First Avenue properties for residential condominiums.

The Company shall continue to seek new development opportunities while enhancing returns from our hotel and rental apartment operations.

Bruno Wall, President
April 4, 2006

Management's Discussion and Analysis

As at April 4, 2005

Management's discussion and analysis of financial conditions and results of operations ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2006 and the audited consolidated financial statements and MD&A for the years ended January 2005 and 2004.

OVERVIEW

Wall Financial Corporation is a public real estate investment and development company and was incorporated under the laws of the Province of British Columbia in January, 1969.

The Board of Directors follow the corporate governance guidelines established for public companies. In January 2005, the Company formalized its governance policy by adopting a Code of Business Conduct and Ethics, a Disclosure Policy and an Insider Trading Policy. The Board has two committees, the Audit Committee and the Management and Compensation Committee. The Audit Committee consists of four directors, all of whom are unrelated directors. The Audit Committee operates pursuant to the Audit Committee Charter of the Company and meets quarterly to review internal controls and financial disclosure including the consolidated financial statements and management's discussion and analysis. The Management and Compensation Committee consist of four directors, three of whom are unrelated directors. The Management and Compensation Committee meets quarterly to review new development projects, review and administer the Co-ownership and Project Participation Agreements and to recommend executive compensation to the Board as per the Executive Compensation Plan.

Over 98% of the Company's revenue is generated from assets which are situated in the Greater Vancouver area of British Columbia. The Company's activities are concentrated as follows: development and management of residential rental units; development and construction of residential housing for re-sale and development and management of hotel properties.

STRATEGIES AND RISK MANAGEMENT

At January 31, 2006, the total number of hotel units is 865 (736 at the Sheraton Vancouver Wall Centre Hotel and 129 at The Vancouver Airport Comfort Inn) and the total number of residential units is 1,094, a decrease of 138 units from January 31, 2005. The apartment and hotel properties provide a stable income stream and capital appreciation which is utilized for acquisitions or investments in development properties for resale.

The Company actively develops for sale residential housing units with a primary focus on hi-rise multi-family projects. It is the Company's strategy to acquire land for development which is zoned for its intended use or where the required rezoning is contemplated and encouraged by the governing authorities. There are three properties under active development at this time: The Hudson at 610 Granville, Vancouver (423 units and 90,000 s.f. of commercial space); Yaletown Park, Vancouver (880 units); and Nature's Gate, Abbotsford (143 units). In addition, there are 4 properties which will be available for development subject to receiving required approvals and appropriate market conditions: the vacant land adjacent to the Vancouver Airport Comfort Inn, Richmond; the two sites in Southeast False Creek, Vancouver, totaling 75,000 s.f.; and the recently acquired Orpheum site at 819 Seymour Street, Vancouver.

In the normal course of its business, the Company is exposed to various risks, which may affect its performance. These risks and the Company's actions are summarized below.

In its operation of residential revenue producing properties, the Company's primary risks are reduced revenue growth in the event of increased vacancy rates, the inability to increase rental rates due to oversupply, restrictive government legislation and the failure to maintain the properties at a competitive level.

The Company minimizes these risks by insisting on a high standard of maintenance and invests only in those locations highly desired by tenants. Vacancy rates in Vancouver have remained at or below 2% while rates in the suburban markets are 4 to 5%. To keep properties competitive, management is continuing with capital improvements at those properties where the greatest benefit in terms of increased rents may be achieved.

In its hotel operations, the Company is exposed to a variety of risks such as changes in market conditions, an increase in the supply of hotel rooms, currency rate fluctuations and changes in the labour market. These risks are managed by securing long-term relationships with clients, developing and enhancing our relationships with international hotel chains and their reservation systems and ensuring that we have a strong and open relationship with our staff.

There are a variety of risks associated with the Company's development activities such as:

- approval for development
- costs of construction
- demand for new residential units
- general market risk

The Company manages the risk associated with its development activities as follows:

- acquiring land for development which is zoned for its intended use or where the required re-zoning is contemplated and encouraged by the governing authorities;
- construction costs are managed through fixed price contracts with general contractors or sub-contractors;
- pre-sale programs are undertaken where feasible and the sales are secured by non-refundable deposits;
- purchasers are encouraged and given incentives to secure and lock-in term financing.

SELECTED ANNUAL FINANCIAL INFORMATION

The following is a summary of the Company's financial information for each of the three most recently completed fiscal years, expressed in Canadian dollars:

Years ended January 31	2006	2005	2004
Revenue and Earnings			
Total revenue and other income	$187,355,401	$90,465,939	$141,188,044
Net earnings	22,254,304	21,995,312	6,511,999
Earnings per share	$0.69	$0.68	$0.20
Balance Sheet			
Total assets	$404,487,822	$306,385,959	$267,530,350
Total long-term debt	103,613,031	98,825,981	120,779,754
Dividends paid	-	$8,844,928	$4,874,575
Dividends paid per share	-	$0.275	$0.15

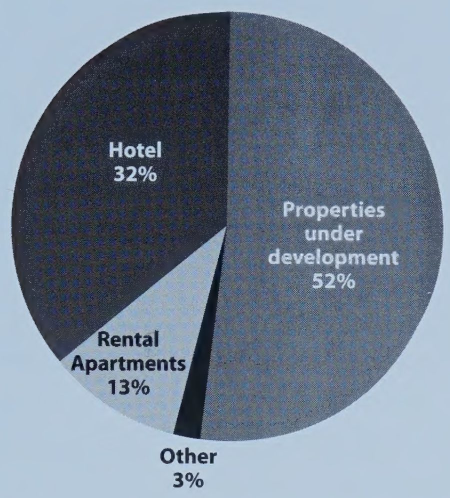
The above financial data is prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of application as described in note 2 of the Company's consolidated financial statements for the year ended January 31, 2006.

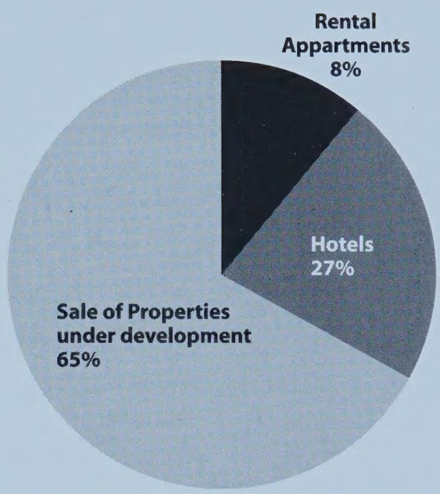
OVERALL PERFORMANCE AND ANNUAL INFORMATION

The Company operates in three different segments of the real estate industry: ownership and management of residential revenue-producing properties; the development and sale of residential housing (development properties) and the ownership and management of hotel properties.

Revenues	**Fiscal 2006**	**Fiscal 2005**
Revenue producing properties		
Apartment rentals	$ 13,085,852	$ 14,116,058
Hotels	47,383,618	42,575,161
	60,469,470	56,691,219
Sales of properties under development	114,365,939	7,230,161
Other	91,920	87,191
	$ 174,927,329	$ 64,008,571

Asset Mix





Revenue Source

Earnings from operations before income taxes and non-controlling interest

	Fiscal 2006	Fiscal 2005
Revenue producing properties		
Apartment rentals	$ 4,087,865	$ 770,694*
Hotels	8,649,806	6,793,981
	12,737,671	7,564,675
Sales of properties under development	17,312,772	1,042,925
Gain on sale of revenue-producing property	12,423,079	8,609,808
Gain on sale of investment	-	17,797,415
Corporate and general expenses	(4,002,326)	(6,200,832)
Other	(239,746)	(424,069)
	$ 38,231,450	$ 28,389,922

*Apartment Rentals include a one-time interest expense of $2,612,000 on an early repayment of a mortgage on a rental apartment building and a reduction on the Company's rental portfolio from 1,478 units in April 2003 to 1,232 units in April 2004.

REVENUE PRODUCING PROPERTIES

APARTMENT RENTALS

Residential rental market conditions have improved slightly from year-end conditions at January 31, 2005.

At January 31, 2006, the Company owned and managed 1,094 residential units in 10 properties in Greater Vancouver. Rental revenues were $13,085,852 in fiscal 2006 as compared to $14,116,058 in fiscal 2005. Earnings from operations before taxes were $4,087,865 for the twelve months ended January 31, 2006 compared to $770,694 for the same period in 2005.

On September 30, 2005, the Company acquired Pacific Towers, a 150-unit residential rental property with 2 commercial units located at 1212 Howe Street, Vancouver, BC for $26,500,000. This is the first residential rental property acquired by the Company since fiscal 2001.

On April 30, 2005, the Company sold one of its rental properties, Pacific Park, a 288-unit complex in Surrey, BC. The sale resulted in a gain on sale of revenue-producing properties of $12,423,079.

The following highlights the disposition of rental properties over the last four completed fiscal years:

Property Name and Address	Year Built or Acquired	Number of Units	Percentage of Ownership	Year of Sale or Disposition
Pacific Park, 9450 – 9480 128th Street, Surrey, BC	1974	288	100	2006
Greenwood Gardens, 14831- 104th Avenue, Surrey, BC	1972	183	100	2005
Jody Apartments, 941 West 13th Avenue, Vancouver, BC	2001	38	100	2004
Blenheim Terrace, 3333 West 4th Avenue, Vancouver, BC	2000	25 (50)	50	2004
David's Court, 3300 Oak Street, Vancouver, BC	2000	50	100	2003
		584		

All residential units are leased primarily for a one-year term and all leasing arrangements are governed by the British Columbia Residential Tenancy Act. Rental rates may be increased on tenant turnover or on the anniversary date of each tenant's date of occupancy. The average turnover rate for all of the Company's units is approximately 60% annually. Properties are regularly upgraded to ensure that we achieve top rental rates. Upon acquisition, older properties are completely renovated.

For the fourth quarter in fiscal 2006, rental revenues were $3,514,848 and earnings from operations before taxes were $1,301,049. For the twelve months ended January 31, 2006, rental revenues of $13,085,852 are $1,030,206 or 7.3% lower than fiscal 2005 ($14,116,058) due to the sale of Greenwood Gardens in April 2004 and the sale of Pacific Park in April 2005.

Earnings from operations before taxes were $4,087,865 for fiscal 2006 compared to $770,694 in fiscal 2005. Overall, the increase in rental apartment earnings in 2006 is due to the prior year one-time interest expense of $2,612,000 on an early repayment of a mortgage on a rental apartment building. The Company was able to reduce interest costs on mortgages from $9,148,465 in fiscal 2005 to $5,191,537 in fiscal 2006. This was accomplished by continuing the policy of repaying high interest rate mortgages when possible. At January 31, 2006, mortgages on revenue properties increased $4,787,050 primarily as a result of the acquisition of Pacific Towers in Vancouver, BC. During the first quarter of fiscal 2006, the company repaid an $8,000,000, 11% fixed rate mortgage and replaced it with a variable term mortgage at prime plus 0.25%. This will reduce financing costs for rental properties on an annual basis by approximately $500,000.

The impact of the acquisition of the 1212 Howe property on total rental revenue for the 4 months ended January 2006 is a 5.5% increase. For the twelve months ended January 31, 2006, operating costs have increased significantly due to the second quarter one time repair and maintenance and landscaping costs. The Company anticipates that rental apartment revenue for fiscal 2007 will increase by approximately 5% over fiscal 2006 due to the acquisition of Pacific Towers in September 2005 and increases in rental rates.

HOTELS

The Company owns and manages two hotel properties in Greater Vancouver.

The Vancouver Airport Comfort Inn is located near the Vancouver Airport and consists of 129 guestrooms and a beer and wine store for off sales. Occupancy for fiscal 2006 was 52.34% compared to 51.62% in 2005. The hotel had an ADR of $79.06 in 2006 compared to an ADR of $75.50 in 2005. Adjacent to the hotel property is a 3.2 acre site currently operated by the hotel as a parking lot. The Company is negotiating with the City of Richmond to develop this vacant parcel with the construction of 2 residential condominium towers for resale and 1 hotel tower. We expect approval by mid-2006 at which time the condominiums will be marketed for sale.

Since May 2001, the Sheraton Vancouver Wall Centre Hotel is the largest single hotel property in British Columbia with 736 guestrooms and 45,000 square feet of meeting space. Occupancy for fiscal 2006 was 70.32% (61% in fiscal 2005) with an ADR of $148.11 ($144.76 in fiscal 2005).

For the fourth quarter ending January 31, 2006, hotel revenues were $9,800,242 or 30% higher than the same quarter of 2005 ($7,544,802). Hotel revenue was $47,383,618 in fiscal 2006 as compared to $42,575,161 in fiscal 2005, an increase of $4,808,457 or 11.3% and earnings from operations were higher than the previous year by $1,855,825. Improved performance by the hotels was a result of higher occupancy rates and increased corporate group bookings.

OTHER

During the second quarter of 2006, the Company entered into an agreement to reacquire 54 residential units at The Hudson at 610 Granville, Vancouver. The majority of these units have now been sold to individual purchasers.

The Company owns a future development property which is currently being operated as a golf driving range (Hastings Golf Centre). The Company intends to apply for residential redevelopment of the site in fiscal 2007.

DEVELOPMENT PROPERTIES

As at January 31, 2006, the net change in assets under development was an increase of $74,274,713 (2005 - $135,963,935). This increase is primarily due to additions during the year of $171,711,753 and disposals of $97,437,040. Revenue from the sale of properties under development was $114,365,939 compared to $7,230,161 in fiscal 2005. The majority of the sales revenue was a result of the Electric Avenue Properties project completed in October 2005. At January 31, 2006, all but 1 unit was sold resulting in earnings of approximately $16,874,311. Other sales of properties held for development included housing inventory for resale totaling approximately $2,161,349, and a development site in Abbotsford for $2,100,000. During the fourth quarter of fiscal 2006, the Company acquired a 70% interest in a development site at 819 Seymour Street for $13,825,000.

PROPERTIES UNDER DEVELOPMENT COMPLETED WITHIN THE FOLLOWING FISCAL YEARS

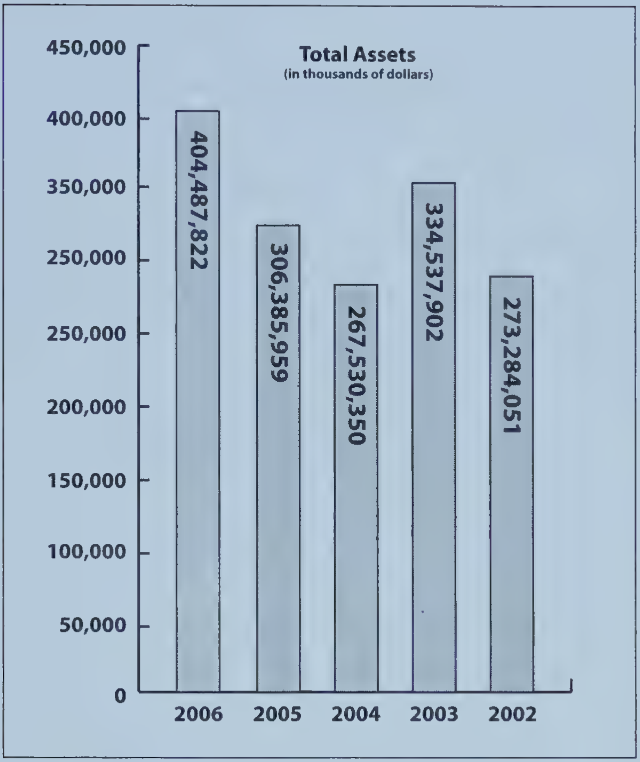
Project	Description	Fiscal year
Metropolitan Towers	430 units	2003/2004
South Surrey	30 acre subdivision project	2003/2004
Dockside	49 unit condominium project	2004
One Wall Centre	86 residential and 29 time share units	2004
Muirfield Gardens	76 unit condominium project	2004
Kerrisdale Landing	24 unit condominium project with 3,600 sq. ft. of retail space	2004/2005
Electric Avenue	456 units	2006

PROJECTS UNDER ACTIVE DEVELOPMENT

- Yaletown Park: Located in the Yaletown district of Vancouver, this 2.2 acre site is zoned for residential use and all development and construction approvals are in place. Pre-sale of the 880 units commenced in early 2004 and all units are now sold with non-refundable deposits in place. Construction of the 3 towers is underway with completion of the first tower scheduled for June 2006 followed by the next 2 towers in September and November.

- The Hudson at 610 Granville: We are developing this project with a 50% joint venture partner. Approvals are in place for the development of 423 residential units and 90,000 sq. ft. of retail/commercial space. All of the residential units have been pre-sold with non-refundable deposits in place. Construction is underway and completion is scheduled for August, 2006.

- Nature's Gate: A wood-frame condominium site in Abbotsford being developed and constructed with joint venture partners, where the Company owns approximately 54%. Pre-sale of the 143 units commenced in December 2005. Construction is underway with completion of Phase I (71 units) scheduled for December, 2006.



INVESTMENTS

There were no significant changes in investment activities or investment strategies for fiscal 2006.

In April 2004, the Company acquired a 40% minority interest in Hastings Entertainment Inc. (HEI), operator of the Hastings Racecourse in Vancouver, subject to regulatory approval. The majority owner is Great Canadian Gaming Corporation of Richmond, an operator of several casinos. On July 24, 2004, the City of Vancouver approved HEI's application to install up to 600 slot machines at the racecourse subject to numerous conditions.

In November, 2004, the Company sold its minority interest in HEI to Great Canadian Gaming Corporation for gross sale proceeds of $24 million. The sale of this investment resulted in the gain on sale of investment of $17,797,405.

DIVIDENDS

On February 6, 2006, the Board of Directors approved a dividend of $0.15 per common share for each common share held on February 27, 2006. This dividend was paid on March 15, 2006. No dividends were paid in fiscal 2006.

SUMMARY OF QUARTERLY RESULTS

The following sets forth certain financial information expressed in Canadian dollars for the Company with respect to the eight quarterly periods ended January 31, 2006.

Fiscal 2006		Revenue & Other Income	Net Earnings	Per Share
	Quarter Ending			
	April 30, 2005	$ 25,472,217	$ 9,346,337	$ 0.29
	July 31, 2005	17,523,180	2,499,302	0.08
	October 31, 2005	127,874,288	9,373,143	0.29
	January 31, 2006	16,485,716	1,035,522	0.03

Fiscal 2005		Revenue & Other Income	Net Earnings	Per Share
	Quarter Ending			
	April 30, 2004	$ 23,468,752	$ 6,061,552	$ 0.19
	July 31, 2004	17,448,415	2,795,839	0.09
	October 31, 2004	20,740,055	3,163,789	0.10
	January 31, 2005	28,808,717	9,774,574	0.30

The above financial data is prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of application as described in note 2 of the Company's consolidated financial statements for the year ended January 31, 2006.

RESULTS OF OPERATIONS

Net earnings for the twelve months ended January 31, 2006 were $22,254,304 or $0.69 per share compared with $21,995,312 or $0.68 per share at January 31, 2005. For the three months ending January 31, 2006, net earnings were $1,035,522 or $0.03 per share, as compared to $9,774,574 or $0.30 per share, for the previous year. Included in earnings, is a gain on sale of a revenue-producing property of $12,423,079 (fiscal 2005 - $8,609,808).

Gross revenues of $174,927,329 and gross margins of $39,404,085 for the twelve months ended January 31, 2006, increased substantially from the previous year primarily as a result of the sale of 455 residential units at Electric Avenue for gross revenues totaling approximately $110,104,590. Hotel revenues also increased $4,808,457 compared to fiscal 2005. Rental apartment revenues were 7.3% or $1,030,206 lower in comparison to last year due to the reduction in the Company's portfolio from 1,232 units in April 2004 to 1,094 units in September 2005. For the fourth quarter in fiscal 2006, total gross revenues of $16,477,678 were 46% higher than for the same period in 2005 due to the sale of condominium units and increased hotel revenues.

Annual general and administration expenses decreased by $2,444,102 over the same period in 2005 primarily due to lower executive compensation (52.5% decrease) and lower legal and professional fees (42.7% decrease). Depreciation and interest as a percentage of gross operating revenues was 15.9% in the fourth quarter of fiscal 2006 compared with 47.6% in fiscal 2005. Depreciation expense decreased for the year by $388,902 or 8.2%. Interest expense decreased from $9,156,524 to $5,367,631 or 41.4% compared to last year as a result of the repayment of high interest rate mortgages on revenue-producing properties.

FINANCIAL POSITION AND CASH FLOWS

As at January 31, 2006 cash and cash equivalents totaled $4,310,210.

During the year, total cash increased by $2,536,589.

Cash flow from operations for the year decreased by $49,029,529, primarily as a result of cash being used for additions to property held for and under development ($171,711,753), which included the third quarter acquisitions of the Electric Avenue and Southeast False Creek property and fourth quarter acquisition of the Orpheum property. Changes in non-cash operating working capital increased cash flow by $4,547,566, primarily due to increases in accrued management compensation payable and income taxes payable at year end.

Overall, cash provided by investments decreased by $11,018,854, primarily due to the third quarter acquisition of Pacific Towers, a 150-unit revenue-producing property offset by the sale of Pacific Park, a 288-unit revenue producing property. Other outflows included capital expenditures for revenue-producing properties and additions to furniture, fixtures and equipment at the hotels.

During the year, financing activities provided the Company with additional cash of $62,584,972, including proceeds from the mortgage on the Pacific Towers of $16,862,304. During the year, bank indebtedness increased by $57,197,900. These funds were used to: reduce mortgages on revenue-producing properties by $12,075,254; to repay non-controlling interest project equity contributions and profits by $9,465,971 (January 31, 2005- $8,749,828); and to purchase shares under the normal course issuer bids for a total cost of $102,790 (January 31, 2005 - $1,091,985). At January 31, 2006, contributions by non-controlling interest include the Orpheum project's minority partner's interest of $6,000,000. No dividends were paid in fiscal 2006.

FLOATING DEBT RATE

The Company has bank lines of credit or demand loans secured by revenue-producing properties. At January 31, 2006, the Company's borrowings of $16,631,190 (January 2005 - $34,063,080) are made available by way of lines of credit with a maximum available aggregate amount of $59,230,281 (January 2005 - $51,093,788). Most of the Company's bank lines of credit have been in place for many years. Interest rates are based on prime lending rates and Banker Acceptance rates. Debt is managed by fixing rates for periods of up to a year through interest rate swaps.

The Company has committed term construction loans, which are available on a progress draw basis. At January 31, 2006, the Company has borrowed $153,820,064 (January 2005 - $79,190,274) on available construction financing facilities. The maximum available funding under such facilities is $226,323,500 (January 2005 - $287,525,500). These loans are secured by properties under development and interest rates are prime based or Banker Acceptance rates.

At January 31, 2006, the estimated costs to complete properties currently under development is $86,924,326 (January 2005 - $119,500,000). These costs reflect construction activity at Yaletown Park, The Hudson at 610 Granville and Nature's Gate.

All floating rate debt obligations are in good standing.

The Company maintains excellent relations with six Canadian banks.

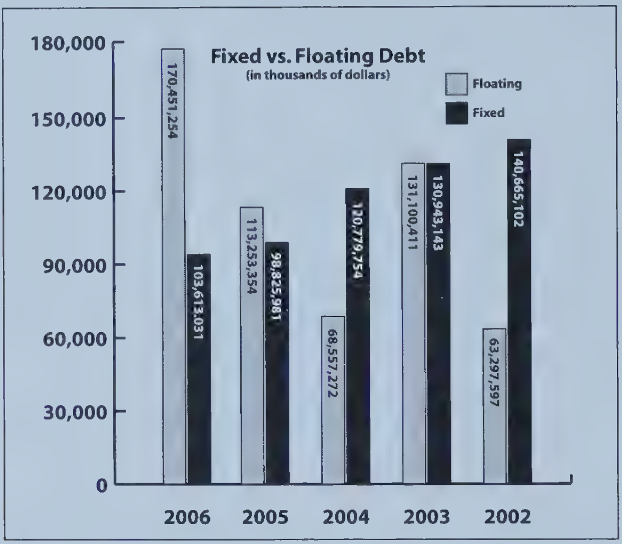
FIXED DEBT RATE

At January 31, 2006, mortgages on revenue-producing properties increased by $4,787,100 for a total of $103,613,081 (January 2005 - $98,825,981). The increase is primarily due to the assumption of the mortgage debt on the 1212 Howe property ($16,862,304) in September 2005 offset by the repayment of an $8,000,000, 11% fixed rate mortgage during the first quarter of fiscal 2006.

CONTRACTUAL OBLIGATIONS

Payments Due by Period from January 31, 2006

	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Long-term debt	$103,613,031	$73,464,398	$1,694,246	$1,918,022	$26,536,365
Operating leases	$1,910,151	$275,454	$568,030	$640,000	$426,667
Total contractural obligations	$105,523,182	$73,739,852	$2,262,276	$2,558,022	$26,963,032



FINANCIAL RISK

The Company enjoys excellent relations with several major Canadian chartered banks and numerous fixed-term lenders. With a solid base of income-producing properties, the Company's credit facilities have been maintained and, in some cases, enhanced.

Over the next fiscal year, the Company's credit requirements consist of the following:

- Capital improvements to selected revenue-producing properties. Improvements will be funded from cash flow.
- Re-financing rental apartment term debt as it matures. Given the current interest rates and the stable cash flow from rental apartments and hotels, management does not anticipate any difficulty in re-financing term debt.
- Construction financing for condominium development. All projects under construction or contemplated for construction within the next six months are financed at 75% to 85% of cost. It is management's policy not to proceed with new construction or land purchases if financing commitments are not in place.

TRANSACTIONS WITH RELATED PARTIES

During fiscal 2004, the Company sold 19 units in properties held for development to a director on similar terms as sales to unrelated parties. In fiscal 2006, the sale of 4 of the units completed and the balance will complete in fiscal 2007. In fiscal 2005, the Company sold 15 units in a property held for development to a director on similar terms as sales to unrelated parties. In fiscal 2006, the Company and the director terminated the sale agreements and the director was paid $156,000. The Company has subsequently re-sold all these units to unrelated parties for a profit.

In fiscal 2006, the Company sold a unit in a property held for development to a significant shareholder of the Company on similar terms as sales to unrelated parties. The Company received net proceeds of approximately $459,736.

During fiscal 2006, management fees and other services totalling $75,210 (2005 - $152,254) were charged to companies controlled by directors and significant shareholders. These fees arise from contractual arrangements based on a percentage of operating revenues or on the recovery of operating costs.

In fiscal 2006, a property held for development was sold to a significant shareholder of the Company for $691,713, which was above appraised value. This sale resulted in a gain of $181,172. Also, included in revenues for the year ended January 31, 2006 is rental revenue of $6,876 received from the shareholder for rent on this property prior to the sale of the property.

In fiscal 2004, the Company and a shareholder entered into an agreement to develop a 24-unit condominium project, whereby a Company affiliated with this shareholder is to be paid management fees of $17,857 per month over the term of the development. During the fiscal 2005 year, $17,857 (fiscal 2004 - $398,641) in management fees were paid to the affiliated company.

These transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount approximates fair market value.

SUBSEQUENT EVENTS

Subsequent to January 31, 2006, the Company entered into an agreement to purchase a 138 strata lot rental property for $30,000,000; the business plan is to sell off the individual lots to homeowners.

ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions which can affect the reported balances. In determining estimates of net recoverable amounts and net realizable values for properties, investments, amounts receivable, and other assets, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change by a material amount.

The Company reviewed the remaining useful life expectancy for its hotel buildings in fiscal 2005 to determine if a change in accounting estimate is required. This accounting estimate affects the amount of depreciation expense recorded as well as impacts net earnings and net earnings per share. After receiving an independent assessment, the Company adopted a lifespan of greater than 40 years on The Sheraton Vancouver Wall Centre Hotel property by extending the remaining useful life on the South Tower from 30 to 50 years and the North Tower from 37 to 55 years. The Company's independent auditors, KPMG LLP, have reviewed management's proposal along with the

independent assessment. The Company's Audit Committee and the Board approved the change. The change in accounting estimate decreased depreciation expense on the Sheraton hotel property by approximately $712,000 in fiscal 2005.

ACCOUNTING POLICIES

Effective February 1, 2004, the Company adopted, on a prospective basis, the Canadian Institute of Chartered Accountants Accounting Guideline 15, Consolidation of Variable Interest Entities. The guideline prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other that a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this standard has had no effect on the consolidated financial statements as the Company does not have any VIE's.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized capital of the Company consists of 54,000,000 common shares without par value. The number of common shares issued and fully paid as at April 1, 2006 is 32,063,365 (January 31, 2005 - 32,083,065).

On January 13, 2005, the Company received regulatory approval to make a normal course issuer bid which authorizes the Company to purchase up to 1,604,593 of its issued and outstanding common shares. This normal course issuer bid commenced on January 17, 2005, and ended on January 16, 2006. Between January 17, 2005 and January 31, 2006, 28,500 common shares were repurchased under this issuer bid at an average price of $4.93 per common share. All shares purchased by the Company under this normal course issuer bid were cancelled. An amount of $137,908, representing the excess of the consideration paid over the carrying value of the common shares acquired, has been charged to retained earnings.

On October 30, 2003, the Company received regulatory approval to make a normal course issuer bid which authorizes the Company to purchase up to 1,617,978 of its issued and outstanding common shares. The normal course issuer bid commenced on November 3, 2003 and ended on November 2, 2004. Between November 3, 2003 and November 2, 2004, 267,700 shares were repurchased under the issuer bid at an average price of $4 per share. All shares purchased by the Company were cancelled. An amount of $1,044,365, representing the excess of the consideration paid over the carrying value of the common shares acquired, has been charged to retained earnings.

OUTLOOK FOR OPERATING CONDITIONS

Rental Apartments

For this fiscal year, revenue, on a stabilized basis, decreased 1 to 2% while operating expenses increased by approximately 13%. The slight decline in revenue is a result of increased rental supply, primarily from investor owned condominiums resulting in higher vacancy rates, and more affordable home ownership due to lower interest rates. In the past three months ended January 31, 2006, vacancy rates and turnover have stabilized. Our forecast for the next fiscal year is that revenue will stabilize while operating costs will increase by approximately 3 to 6%.

Hotel Operations

Revenue and gross operating profits from hotel operations increased significantly this year with revenue from the Sheraton Vancouver Wall Centre increasing in excess of $4.6 million. A recovery in tourist travel from Asia and strong growth in the group, convention and association travel sectors account for most of this increase together with an increase of $3.35 in ADR. In the next fiscal year, we expect revenues and gross operating profits to increase slightly.

Condominium Sales

In fiscal 2007, both The Hudson at 610 Granville (50% interest in 423 units) and Yaletown Park (880 units) are scheduled to complete.

The market for residential condominiums, town homes and single family lots remains strong throughout the Lower Mainland and we are pursuing additional development opportunities. We expect to bring to the market for pre-sales the 819 Seymour project (70% interest in 385 units) and the Richmond project (224 units).

ADDITIONAL INFORMATION

Additional information relating to the Company, its activities and operations, including the Annual Information Form, is available on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

The MD&A contains forward-looking statements relating to the Company's operations and the environment in which it operates, which are based on expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Factors that could cause actual results to differ are discussed in the "Strategies and Risk Management" and "Financial Risk" sections of this MD&A. As actual outcomes and results may differ materially from those expressed in these forward-looking statements, readers should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. Any forward-looking statements in this MD&A are made as of April 4, 2006, and management undertakes no obligation to publicly update any such statement to reflect new information or the occurrence of future events or circumstances.

In summary, management believes that the expectations reflected in forward-looking statements are based on reasonable assumptions, but can give no guarantees or assurances that actual results will be consistent with these forward-looking statements.

Management's responsibility for financial reporting

The consolidated financial statements of Wall Financial Corporation have been prepared by management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, include amounts that are based on management's best estimates and judgements. Financial information used elsewhere in the annual report is consistent with that in the consolidated financial statements. The Company maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are properly safeguarded, and that financial records are reliable and form a proper basis for preparation of financial statements.

The Company's independent auditors, KPMG LLP, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The Committee meets with the external auditors, with and without management present, to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters.

Their report follows.

Bruno Wall
President

Clarence Baldwin
Chair of Board

April 4, 2006

Auditor's Report to the Shareholders

We have audited the consolidated balance sheets of Wall Financial Corporation as at January 31, 2006 and 2005 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 23, 2006

Consolidated Balance Sheets

January 31, 2006 and 2005

	2006	2005
Assets		
Properties (note 3):		
Revenue-producing properties:		
Rental	$ 53,702,640	$ 32,051,224
Hotel	128,651,599	131,263,486
	182,354,239	163,314,710
Held for and under development (note 3)	210,238,648	135,963,935
	392,592,887	299,278,645
Investments (note 4)	573,098	551,596
Amounts receivable	4,899,899	3,135,199
Other assets (note 5)	2,111,728	1,646,898
Cash and cash equivalents	4,310,210	1,773,621
	$ 404,487,822	$ 306,385,959
Liabilities and Shareholders' Equity		
Debt on properties (note 6):		
Bank indebtedness	$ 170,451,254	$ 113,253,354
Mortgages on revenue-producing properties	103,613,031	98,825,981
	274,064,285	212,079,335
Accounts payable and accrued liabilities	8,867,133	8,612,655
Taxes payable	8,839,965	2,055,885
Future income taxes (note 9(b))	19,412,348	20,019,806
Non-controlling interest (note 7)	12,484,921	4,950,622
	323,668,652	247,718,303
Shareholders' equity:		
Share capital (note 8)	3,063,502	3,065,384
Retained earnings	77,755,668	55,602,272
	80,819,170	58,667,656
	$ 404,487,822	$ 306,385,959

Commitments and contingencies (note 12)
Subsequent event (note 16)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director — Bruno Wall

Director — Clarence Baldwin

Consolidated Statements of Operations and Retained Earnings

Years ended January 31, 2006 and 2005

	2006	2005
Revenue (note 15)	$ 174,927,329	$ 64,008,571
Cost of sales and operating expenses	135,523,244	41,853,413
	39,404,085	22,155,158
Other income (losses):		
Investment income	25,140	110,244
Gain on sale of revenue-producing properties	12,423,079	8,609,808
Gain on sale of investment (note 4)	-	17,797,415
Foreign exchange loss	(20,147)	(60,099)
	51,832,157	48,612,526
Expenses:		
General and administration (note 4)	3,855,351	6,299,453
Interest (note 6(d))	5,367,631	9,156,524
Depreciation and amortization	4,377,725	4,766,627
	13,600,707	20,222,604
Earnings from operations before income taxes and non-controlling interest	38,231,450	28,389,922
Income taxes (recovery) (note 9):		
Current	9,753,117	4,658,262
Future	(607,458)	1,245,308
	9,145,659	5,903,570
Earnings from operations before non-controlling interest	29,085,791	22,486,352
Non-controlling interest	6,831,487	491,040
Net earnings	22,254,304	21,995,312
Retained earnings, beginning of year	55,602,272	43,517,859
Adjustment for shares repurchased (note 8(a) and (b))	(100,908)	(1,065,971)
Dividends (note 8(c), (d), and (e))	-	(8,844,928)
Retained earnings, end of year	$ 77,755,668	$ 55,602,272
Basic and diluted earnings per share	$ 0.69	$ 0.68

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended January 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings	$ 22,254,304	$ 21,995,312
Items not involving cash:		
Depreciation and amortization	4,377,725	4,766,627
Future income taxes	(607,458)	1,245,308
Gain on sale of revenue-producing properties	(12,423,079)	(8,609,808)
Gain on sale of investment	-	(17,797,415)
Unrealized loss on foreign currency translation	19,720	58,990
Non-controlling interest	6,831,487	491,040
Equity loss	15,778	2,519
Funds from operations	20,468,477	2,152,573
Changes in non-cash operating working capital (note 11)	4,547,566	10,634,631
Recovery of costs through real estate sales	97,437,040	10,442,321
Additions to properties held for and under development	(171,711,753)	(61,174,106)
Decrease in deferred financing costs, net	229,141	114,418
	(49,029,529)	(37,830,163)
Investments:		
Additions to revenue-producing properties	(27,459,716)	(830,234)
Investments purchased	(57,000)	(5,199,005)
Proceeds on sale of revenue-producing properties	16,507,572	10,852,092
Proceeds on sale of investments, net	-	22,996,420
Additions to furniture, fixtures and equipment	(9,710)	(19,194)
	(11,018,854)	27,800,079
Financing:		
Proceeds from mortgages on revenue-producing properties	16,862,304	-
Repayment of mortgages on revenue-producing properties	(12,075,254)	(21,953,773)
Bank indebtedness	57,197,900	44,696,082
Shares repurchased	(102,790)	(1,091,985)
Contributions by non-controlling interest	10,168,783	5,297,189
Payments to non-controlling interest	(9,465,971)	(8,749,828)
Dividends paid	-	(8,844,928)
	62,584,972	9,352,757
Increase (decrease) in cash and cash equivalents	2,536,589	(677,327)
Cash and cash equivalents, beginning of year	1,773,621	2,450,948
Cash and cash equivalents, end of year	$ 4,310,210	$ 1,773,621

Supplementary information (note 11)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

1. **Operations:**

   The Company is incorporated under the Company Act of British Columbia. Its principal business activities are hotel operations, real estate development, and real estate investments.

2. **Significant accounting policies:**

   (a) General:

   The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA").

   (b) Consolidation:

   The consolidated financial statements include:

   (i) the accounts of the Company and its subsidiaries; and

   (ii) the accounts of its joint ventures, to the extent of the Company's interest in their respective assets, liabilities, revenue and expenses.

   All significant intercompany transactions and balances have been eliminated.

   (c) Properties:

   (i) Revenue-producing properties:

   Revenue-producing properties are stated at the lower of cost less depreciation, and net recoverable amount.

   Depreciation is provided over the estimated useful lives of each asset category at the following rates:

Asset	Basis	Rate
Rental buildings	Straight-line	30 to 35 years
Hotel buildings	Straight-line	40 to 55 years

   (ii) Held for and under development:

   The Company capitalizes acquisition and direct development costs for property held for and under development. In addition, the following are capitalized:

   - Direct carrying costs, such as interest and property taxes, as well as incidental revenue and expenditures, to property held for and under development.
   - A portion of the interest on general and specific borrowings to properties held for and under development until the development is complete; and
   - Operating results of hotel and rental buildings until a satisfactory level of occupancy is obtained or the expiration of a reasonable period of time following substantial completion.

   Where the estimated net realizable value of a property held for and under development does not exceed its book value, the property is recorded at net realizable value and interest and carrying costs are charged to current operations.

2. Significant accounting policies (continued):

(d) Investments:

Investments in which the Company is able to exercise significant influence are accounted for by the equity method and, accordingly, include the Company's share of undistributed earnings net of losses since acquisition. Portfolio investments are recorded at cost and dividends are included in earnings.

(e) Deferred financing costs:

Fees and costs relating to the negotiation of borrowings are deferred and amortized on a straight-line basis over the term of the related debt.

(f) Inventory:

Inventory, which consists of food, beverage and supplies, are valued at the lower of cost and replacement cost.

(g) Furniture, fixtures and equipment:

Furniture, fixtures and equipment are recorded at cost and amortized using the declining balance method at rates ranging from 15% to 50%, except for leasehold improvements, which are amortized using the straight-line method over 5 to 10 years.

(h) Revenue recognition:

Revenue from the sale of properties under development is recognized when all material conditions of the sale have been fulfilled, title to the completed unit is conveyed to the purchaser and the purchaser becomes entitled to occupancy.

(i) Foreign currency translation:

All of the Company's foreign activities are fully integrated and are translated using the temporal method. Monetary assets and liabilities are translated at the year-end exchange rate, non-monetary items are translated at historical rates and revenue and expenses are translated at the average rate for the year. Gains or losses from exchange transactions are included in the statement of operations or are capitalized during the construction period in the case of foreign currency denominated debt used to finance construction.

(j) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment, or substantive enactment, date.

2. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions which can affect the reported balances. In determining estimates of net recoverable amounts and net realizable values for properties, investments, amounts receivable and other assets, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change by a material amount.

(l) Statements of cash flows:

The Company uses the indirect method of reporting cash flows, under which the net cash flow from operating activities is reported by adjusting net earnings for the effects of non-cash items and net changes in non-cash working capital balances.

(m) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, cash held at banks, bank overdrafts and term deposits maturing within ninety days from the date of acquisition.

(n) Earnings per share:

Basic earnings per share is computed by dividing net earnings by the weighted average shares outstanding during the year. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

At January 31, 2006 and 2005, the Company had no options outstanding. As there are no potentially dilutive common shares outstanding, there is no effect on the computation of earnings per share reported by the Company. The weighted average number of common shares outstanding for the year was 32,071,201 (2005 - 32,147,872).

2. Significant accounting policies (continued):

(o) Long-lived assets:

Long-lived assets including property, plant and equipment and certain other long-lived assets are amortized over their useful lives. The Company periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Company reviews impairment of long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(p) Variable interest entities:

Effective February 1, 2004, the Company adopted, on a prospective basis, the Canadian Institute of Chartered Accountant's Accounting Guideline 15, Consolidation of Variable Interest Entities. The guideline prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this standard has had no effect on the consolidated financial statements as the Company does not have any VIE's.

(q) Comparative information:

Certain comparative figures have been reclassified to conform with the current year's presentation.

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

3. Properties:

	2006	2005
Revenue-producing:		
Rental:		
Land and building less accumulated depreciation of $10,257,802 (2005 - $11,367,279)	$ 53,702,640	$ 32,051,224
Hotel:		
Land and building less accumulated depreciation of $10,323,900 (2005 - $8,405,363)	120,893,803	122,734,021
Furniture, fixtures and equipment less accumulated amortization of $17,579,847 (2005 - $16,252,841)	7,757,796	8,529,465
	182,354,239	163,314,710
Held for and under development:		
Land held for development	-	3,238,642
Housing inventory for resale	354,408	1,421,882
Properties under development	209,884,240	131,303,411
	210,238,648	135,963,935
	$ 392,592,887	$ 299,278,645

During the year, the following costs were capitalized to properties held for and under development.

	2006	2005
Property taxes	$ 669,985	$ 650,003
Interest	6,407,357	4,325,349

4. Investments:

	2006	2005
Portfolio investments	$ 484,329	$ 504,049
Investments accounted for by the equity method	88,769	47,547
	$ 573,098	$ 551,596

During the year ended January 31, 2005, the Company sold its option to acquire a minority interest in Hastings Entertainment Inc. for net proceeds of approximately $17,800,000. In accordance with the executive compensation plan (note 7), general and administration expenses for the year includes an amount of $3,560,000 for executive compensation on this transaction.

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

5. Other assets:

	2006	2005
Deposits and prepaids	$ 1,431,607	$ 761,165
Deferred financing costs	194,940	424,081
Inventory	357,393	301,543
Furniture, fixtures and equipment, less accumulated amortization of $96,080 (2005 - $54,049)	127,788	160,109
	$ 2,111,728	$ 1,646,898

6. Debt on properties:

	Weighted average interest rate	2006	2005
Bank indebtedness:			
Held for and under development	(a) 5.21%	$ 153,820,064	$ 79,190,274
General corporate debt	(b) 4.30%	16,631,190	34,063,080
		170,451,254	113,253,354
Mortgages on revenue-producing properties	(c) 5.54%	103,613,031	98,825,981
		$ 274,064,285	$ 212,079,335

(a) Bank indebtedness on properties held for and under development:

At January 31, 2006, the Company has borrowed $153,820,064 (2005 - $79,190,274) on available construction financing facilities in the form of Canadian dollar prime rate loans, letters of credit, and banker's acceptances. The maximum available funding under such facilities is $226,323,500 (2005 - $287,525,500). Of the amount borrowed at January 31, 2006, $3,750,000 bears interest at a fixed rate of 11% per annum, and the balance bears interest at prime minus 0.58% to prime plus 0.65% per annum. The credit facilities are secured by first mortgages and assignment of rents on the related properties, and assignment of insurance.

(b) General corporate debt:

At January 31, 2006, the Company's borrowings of $16,631,190 (2005 - $34,063,080) are made available by way of lines of credit with a maximum available aggregate amount of $59,230,281 (2005 - $51,093,788). The debt is secured by fixed and floating demand debentures, second mortgages and an assignment of rents on certain revenue-producing properties.

6. Debt on properties (continued):

(c) Mortgages on revenue-producing properties:

Mortgages on revenue-producing properties of $64,818,864 bear interest at floating rates ranging from prime plus 0.25% per annum to banker's acceptance rates plus applicable stamping fees and the balance of $38,794,167 bears interest at fixed term rates. The mortgages are secured by first and second fixed charges over the Company's revenue-producing properties.

Principal instalments payable within the next five fiscal years and thereafter are as follows:

2007	$ 73,464,398
2008	822,499
2009	871,747
2010	923,958
2011	994,064
Thereafter	26,536,365
	$ 103,613,031

(d) Interest expense:

	2006	2005
Interest on:		
Bank indebtedness	$ 6,459,336	$ 4,333,408
Mortgages on revenue-producing properties	5,191,537	9,148,465
	11,650,873	13,481,873
Less: Interest capitalized	(6,283,242)	(4,325,349)
Interest expense	$ 5,367,631	$ 9,156,524

Interest expense for the year ended January 31, 2005 includes a non-recurring payment of $2,612,200 made by the Company to discharge one of its mortgages.

7. Non-controlling interest:

(a) The Company has entered into co-owners' and project participation agreements with Wall Equity Corporation ("Wall Equity"), a company owned by an officer of the Company and another related party, with respect to certain properties under development. Wall Equity has provided up to 25% of the equity to finance such properties. In fiscal 2005, the Company amended its executive compensation plan and the project participation agreement to reduce the amount of compensation that the officer and related party receives from the Company and to increase by a corresponding amount the consideration which Wall Equity may receive pursuant to the project participation agreement, up to a maximum of 40%. The amendments are neutral in terms of their effect on the Company and do not directly or indirectly increase the Company's liabilities, obligations, or costs. Non-controlling interest at January 31, 2006 includes $6,484,921 (2005 - $4,950,622) relating to Wall Equity agreements.

7. Non-controlling interest (continued):

(b) The Company controls a partnership entered into for the purpose of developing property. At January 31, 2006, non-controlling interest includes the minority partner's interest of $6,000,000 (2005 - nil).

8. Share capital:

Authorized:

54,000,000 common shares without par value

Issued and outstanding:

	2006		2005	
	Shares	Amount	Shares	Amount
Outstanding, beginning of year	32,083,065	$ 3,065,384	32,355,465	$ 3,091,398
Shares acquired during the year through normal course issuer bids	(19,700)	(1,882)	(272,400)	(26,014)
Outstanding, end of year	32,063,365	$ 3,063,502	32,083,065	$ 3,065,384

(a) On January 13, 2005, the Company received regulatory approval to make a normal course issuer bid which authorizes the Company to purchase up to 1,604,593 of its issued and outstanding common shares. This normal course issuer bid commenced January 17, 2005 and ended on January 16, 2006. Between January 17, 2005 and January 31, 2005, 8,800 shares were repurchased under this issuer bid at an average price of $4.30 per share. All shares purchased by the Company were cancelled. An amount of $37,000, representing the excess of the consideration paid over the carrying value of the shares acquired has been charged to retained earnings. Between February 1, 2005 and January 31, 2006, an additional 19,700 shares were acquired at an average price of $5.22. An amount of $100,908, representing the excess of the consideration paid over the carrying value of the shares acquired has been charged to retained earnings. All shares purchased by the Company under this normal course issuer bid have been cancelled.

(b) On October 30, 2003, the Company received regulatory approval to make a normal course issuer bid which authorizes the Company to purchase up to 1,617,978 of its issued and outstanding common shares. This normal course issuer bid commenced on November 3, 2003 and ended on November 2, 2004. Between November 3, 2003 and January 31, 2004, 4,100 shares were repurchased under this issuer bid at an average price of $3.85 per share. All shares purchased by the Company were cancelled. Between February 1, 2004 and November 2, 2004, 263,600 shares were repurchased under this issuer bid at an average price of $4.00 per share. All shares repurchased by the Company were cancelled. An amount of $1,028,971 representing the excess of the consideration paid over the carrying value of the shares acquired has been charged to retained earnings.

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

8. Share capital (continued):

(c) On February 6, 2006, the Board of Directors approved a dividend of $0.15 per common share for each common share held on February 27, 2006. This dividend was paid on March 15, 2006.

(d) On December 8, 2004, the Board of Directors approved a dividend of $0.20 per common share for each share held on December 29, 2004. This dividend was paid on January 14, 2005.

(e) On February 3, 2004, the Board of Directors approved a dividend of $0.075 per common share for each common share held on February 24, 2004. This dividend was paid on March 12, 2004.

9. Income taxes:

(a) Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 34.74% (2005 - 35.62%) to earnings before income taxes and non-controlling interest. The reason for the difference is as follows:

	2006	2005
Computed tax expense	$ 13,281,606	$ 10,112,490
Increase (decrease) resulting from:		
Large corporations tax	246,371	319,356
Non-deductible expenses and non-taxable income	84,568	44,548
Non-controlling interest	(2,373,259)	(174,908)
Other	(273,963)	(329,530)
Non-taxable portion of capital gains	(1,819,664)	(4,068,386)
	$ 9,145,659	$ 5,903,570

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at January 31, 2006 are presented below:

	2006	2005
Future tax assets:		
Non-capital loss carry forwards	$ 110,628	$ 567,664
Future tax liabilities:		
Properties	19,522,976	20,587,470
Net future tax liabilities	$ 19,412,348	$ 20,019,806

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

10. Joint venture:

The consolidated financial statements include the Company's proportionate share of the assets and liabilities of its joint ventures as at January 31, 2006 and January 31, 2005 as follows:

	2006	2005
Assets:		
Property under development	$ 50,498,672	$ 33,412,672
Other assets	1,269,302	111,656
	$ 51,767,974	$ 33,524,328
Liabilities and equity		
Bank indebtedness	$ 37,637,077	$ 22,733,526
Other liabilities	2,024,958	750,947
Equity	12,105,939	10,039,855
	$ 51,767,974	$ 33,524,328
Cash provided by (used in):		
Operations	$ (15,878,955)	$ (10,712,032)
Financing	1,509,951	1,919,972
Total decrease in cash	$ (14,369,004)	$ (8,792,060)

The construction debts of the joint ventures are primarily secured by a first and second charge on the property under development by the joint ventures and assignment of rents therefrom, a third charge over certain revenue-producing properties of the Company and guarantees by the venturers.

11. Supplementary information:

Supplementary disclosures related to the statements of cash flows consist of the following:

	2006	2005
Amounts receivable	$ (1,764,700)	$ 3,985,975
Taxes recoverable / payable	6,784,080	2,871,830
Accounts payable and accrued liabilities	254,478	3,715,307
Inventory	(55,850)	40,410
Deposits and prepaids	(670,442)	21,109
	$ 4,547,566	$ 10,634,631
Supplementary information:		
Interest paid	$ 11,420,730	$ 14,245,554
Taxes paid	3,709,370	5,254,365

12. Commitments and contingencies:

(a) The Company has entered into hotel franchise agreements in respect of its two hotel properties. Fees paid are calculated based on monthly gross hotel revenue and paid monthly.

(b) At January 31, 2006, the estimated costs to complete properties under construction at year-end are approximately $86,924,326 (2005 - $119,500,000).

(c) The Company rents property under long-term operating leases. The aggregate annual rent payable on these leases is as follows:

Years ending January 31:	
2007	$ 275,454
2008	275,454
2009	292,576
2010	320,000
2011	320,000
Thereafter	426,667
	$ 1,910,151

(d) The Company has outstanding letters of credit at January 31, 2006 of $1,544,673 (2005 - $1,301,843).

13. Related party transactions:

(a) During fiscal 2004, the Company sold 19 units in properties held for development to a director on similar terms as sales to unrelated parties. In fiscal 2006, the sale of four of the units completed and the balance will complete in fiscal 2007. In fiscal 2005, the Company sold 15 units in a property held for development to a director on similar terms as sales to unrelated parties. In fiscal 2006, the Company and the director terminated the sale agreements and the director was paid $156,000. The Company has subsequently resold all these units to unrelated parties for a profit.

(b) In fiscal 2006, the Company sold a unit in a property held for development to a significant shareholder of the Company on similar terms as sales to unrelated parties. The Company received net proceeds of approximately $459,736.

(c) In fiscal 2006, a property held for development was sold to a significant shareholder of the Company for $691,713, which was above appraised value. This sale resulted in a gain of $181,172. Also, included in revenues for the year ended January 31, 2006 is rental revenue of $6,876 received from the shareholder for rent on this property prior to the sale of the property.

(d) In fiscal 2004, the Company and a shareholder entered into an agreement to develop a 24-unit condominium project, whereby a company affiliated with this shareholder is to be paid management fees of $17,857 per month over the term of the development. During the fiscal 2005 year, $17,857 (2004 - $398,741) in management fees were paid to the affiliated company.

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

13. Related party transactions (continued):

(e) During fiscal 2006, management fees and other services totaling $75,210 (2005 - $152,254) were charged to companies controlled by directors and significant shareholders. These fees arise from contractual arrangements based on a percentage of operating revenues or on the recovery of operating costs.

These transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount approximates fair market value.

14. Financial instruments:

(a) The carrying values of the Company's cash and cash equivalents, amounts receivable, bank indebtedness, accounts payable and accrued liabilities and taxes recoverable/payable approximate their fair values due to the short-term nature of these financial assets and liabilities. Debt on properties is of a long-term nature and, as such, is impacted by changes in market yields which can result in differences between its carrying value and market value. Management estimates that these differences are not material to the financial statements.

(b) As described in note 6, the Company's debt on properties bears interest at floating rates. Fluctuations in interest rates will impact the cost of financing incurred in the future.

15. Segment disclosures:

	2006	2005
Revenue:		
Revenue-producing properties:		
Rental	$ 13,085,852	$ 14,116,058
Hotel	47,383,618	42,575,161
	60,469,470	56,691,219
Sale of properties under development	114,365,939	7,230,161
Other	91,920	87,191
	$ 174,927,329	$ 64,008,571
Earnings from operations before income taxes and non-controlling interest:		
Revenue-producing properties:		
Rental	$ 4,087,865	$ 70,694
Hotel	8,649,806	6,793,981
	12,737,671	7,564,675
Sale of properties under development	17,312,772	1,042,925
Unallocated corporate general and administration	(4,002,326)	(6,200,832)
Other	(239,746)	(424,069)
Gain on sale of revenue-producing properties	12,423,079	8,609,808
Gain on sale of investment	-	17,797,415
	$ 38,231,450	$ 28,389,922

Notes to Consolidated Financial Statements

Years ended January 31, 2006 and 2005

15. Segment disclosures (continued):

	2006	2005
Identifiable assets:		
Properties:		
Rental	$ 48,330,033	$ 28,856,986
Hotel	133,947,905	134,962,955
Properties under development and held for resale	214,815,097	133,231,358
	397,093,035	297,051,299
Other	1,617,073	9,558,892
	398,710,108	306,610,191
Elimination of intersegment balances	5,777,714	(224,232)
	$ 404,487,822	$ 306,385,959
Depreciation and amortization expense:		
Revenue-producing properties:		
Rental	$ 764,375	$ 700,644
Hotel	3,443,224	3,905,484
	4,207,599	4,606,128
Other	170,126	160,499
	$ 4,377,725	$ 4,766,627

16. Subsequent event:

The Company entered into an agreement to purchase a 138 strata lot rental property for $30,000,000; the business plan is to sell off the individual lots to homeowners.

Corporate Information

Directors

Clarence Baldwin

Robert King

Robert H. Lee

John Redekop

Terry Sumner

Peter Ufford

Bruno Wall

Charlotte Wall

Officers

CLARENCE BALDWIN
Chair of Board

BRUNO WALL
President

STEPHANIE GIBAULT
Vice-President, Finance

DARCEE WISE
Secretary and
Vice-President, Revenue Properties

JOHN REDEKOP
Vice-President

Stock Exchange

Wall Financial is listed on the Toronto Stock Exchange. Its symbol is WFC and the CUSIP number is 931902.

Total shares issued and outstanding: 32,063,365

Total number of shareholders: 197

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Facsimile: (604) 893-7478

Auditors
KPMG LLP

Annual Meeting
Vancouver, BC
May 31, 2006, 10:30AM PT
Granville Room, Sheraton Wall Centre Hotel
1088 Burrard Street

WALL FINANCIAL CORPORATION

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